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COMMENTS
ON THE
DEBATE AND DIVISION
ON
MONETARY REFORM,

IN THE
HOUSE OF COMMONS

February 28th, 1893.

BY
SIR WM. H. HOULDSWORTH, BART.,
M.P.

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The following three letters of Sir Wm. H. HOULDSWORTH, Bart., M.P., are reprinted, by request, from the *Manchester Guardian* of 7th, 8th, and 11th March, 1893.

COMMENTS
ON THE
DEBATE AND DIVISION
ON
MONETARY REFORM.

I.

The debate in the House of Commons last Tuesday on the Brussels Monetary Conference has excited much attention. But those who are unfamiliar with Parliamentary procedure may easily miss the significance both of the debate and the division. A little information, therefore, may not be superfluous.

The resolution having been moved and seconded by avowed bimetallists, the Prime Minister complained that it did not refer to bimetalism. But the explanation is very simple. The framers of the resolution, amongst whom there was a preponderance of Gladstonian Liberals, did not desire on this occasion to bring forward a motion which could be regarded as hostile to the Government. With the known views of the Prime Minister and Sir Wm. Harcourt before them, they felt that any resolution which advocated the adoption of the bimetallic system by England could not fail to be so regarded by the Government. But they never supposed for a moment that the Government would take up

a position of uncompromising hostility to a motion which simply invoked the opinion of the House in support of the reassembly of the Monetary Conference, in order that, if possible, some effective remedy for the serious evils caused by the divergence of value between silver and gold might be found in concert with other nations. They soon discovered, however, what the attitude of Her Majesty's Government was to be, for they learnt that the whole force of Government pressure was to be brought to bear upon both supporters and allies in order to insure a defeat of this simple motion.

A strong whip was issued. Private representations were made that the Government would treat the carrying of the motion as a vote of want of confidence, and the consequences which would ensue were painted in the strongest colours. The Irish Nationalist party held a special meeting to consider the situation. It was known that about five-and-twenty of their number were favourable to the motion, and that many of them would have supported a pure bimetallic resolution if it had been proposed. After a protracted discussion, it was decided that freedom of voting could not be allowed, though, as it turned out afterwards, Mr. Vesey Knox—one of the Whips of the party, and who had signed the circular issued in support of Sir Henry Meysey-Thompson's resolution—most loyally walked out of the House rather than vote against it. Six or seven Gladstonian Liberals also remained true to their convictions, unmoved by the strong influences which were brought to bear upon them. On the other side of the House it was well known that many influential Conservatives and Liberal Unionists would vote against the motion. Two bankers from the Conservative benches led the opposition. Mr. Beckett moved an amendment that it was "inexpedient that the Government should take any steps to procure the reassembly of the Conference." Mr. Brodie Hoare seconded it, and the Government adopted it as their own motion, the Government Whips "telling" in its favour. Sir John Lubbock (another banker) had given notice of his

intention to move "the previous question." Mr. Chamberlain voted with the Government, and also Lord Randolph Churchill.

Besides all this, it was a misfortune that the House had no opportunity of hearing one of the greatest authorities upon this question, and one whose opinion always carries the greatest weight. I refer to Mr. Leonard Courtney, who wished to speak, but was prevented from want of time. It was understood that he would have strongly supported the motion by his speech, as he did in the division lobby by his vote.* It must also be noticed that Mr. Balfour, whose arguments would, no doubt, have influenced many votes on the Conservative side, was only left five minutes to speak in before twelve o'clock.

Still, notwithstanding all these adverse circumstances, and these powerful influences in opposition to the motion, the amendment was only carried by 81 votes in a House of 381, not less than 150 supporting the original motion. It can easily be shown that the Government's fear of being defeated was no imaginary one. Even if only the three Gladstonian Liberals who were vice-presidents of the Bimetallic League (one of whom had joined in the framing of the resolution), and the twenty-five Irish Nationalists who were prevented by party discipline from voting as they wished, had transferred their votes from one side to the other (each vote counting two in a division), the majority would have been reduced to 25; and it is certain that if it had not been considered a Government division many Gladstonian Liberals pledged to the support of currency reform at their election would either have voted for the resolution or abstained altogether.

* Since this was written, Mr. Courtney has published in the April number of the *Nineteenth Century*, a very able article, in which occurs this important sentence: "Five years ago I joined with my friends in deprecating any attempt to establish an international agreement for the free coinage of both gold and silver as standard money. I have advanced with further experience and reflection to the belief that such agreement is to be desired, and that it could be accomplished with the minimum of change and with great advantage to the Empire and the world on the conditions I have suggested."

II.

The most interesting speech in the debate on Sir Henry Meysey-Thompson's motion was, of course, that delivered by the Prime Minister. This was the first occasion, I believe, upon which he had made any public declaration of his attitude towards the currency reform agitation. It was, therefore, listened to with especial attention. I pass by his criticism of the motion itself. It is his views on the general question which demand careful consideration. The definition which Mr. Gladstone gave of a good standard of value was perfect: "What you want in this standard of value to make it do its work properly is fixity, steadiness, stability, and continuity. You want its properties to be such that what it is to-day it shall be to-morrow, and what it is to-morrow it shall be the next day. . . . Fixity and invariability are the first elements of a standard of value." This statement of the Prime Minister is most satisfactory, and is a complete answer to those who say that the "counters" with which we measure commodities and services do not really affect industrial and commercial transactions. On the contrary, Mr. Gladstone asked: "What is important to the owners of, or the persons interested in, other commodities? To supply them with a good standard of value."

So far so good. But when he proceeded to assert and to attempt to prove that "gold is the best standard of value, because, above all, it is the least variable standard," he gave himself away. What was his proof? Speaking of forty years ago, during the period of the great gold discoveries, and ignoring the evidence of index numbers, and the researches of Professor Jevons and others, he boldly took silver as affording "a very fair test of values in the market." Judged by this test—that is, comparing the relative value of silver and gold between 1850 and 1873,—of course he showed that gold did not vary more than 3 per cent. But he seemed

quite unaware that, as pointed out by Mr. Goschen, this fact was one of the main buttresses of the bimetallicists' contention, which is that the bimetallic system which was in full operation in France and the Latin Union did preserve the ratio between silver and gold within the narrow limits of 3 per cent. during a period of twenty years, which Mr. Gladstone describes as an "epoch in our history" compared with which there was none—"not even in the sixteenth century, when such remarkable changes were produced by the discovery of America—when so vast and enormous an addition had been made, almost at a moment's notice, to the monetary transactions of the world, and to the necessity thereby created for an enlargement of the circulating medium." But there is another question. If Mr. Gladstone considers "silver to be a very fair test" of "the fixity and invariability of gold," why did he not pursue his comparison after 1873? If silver was a good standard by which to prove the invariability of gold before 1873, why is it not an equally good standard after 1873? Mr. Gladstone surely must see from his own argument that the Royal Commission on Gold and Silver was right when it unanimously reported that "this date forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver, and one of marked instability." It was indeed from this fact, so clearly proved by the evidence laid before them, that the Commissioners were "irresistibly led to the conclusion that the operation of that system" (the bimetallic system) "established as it was in countries, the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals."

It is thus apparent that Mr. Gladstone admits the stability of the ratio between silver and gold before 1873 through "a most severe trial." His abandonment of the comparison which he thinks the best test of the invariability of gold as a standard of value after 1873 is most significant. But the truth is silver is not a good test. No one commodity is a

test at all. The nearest approach to an absolute test is the index numbers. Judged by these, gold is a most variable standard, and is becoming every day more so. Silver, as far as we can form an opinion of the general level of silver prices during the last twenty years, is infinitely more stable, and corresponds much more nearly to the description which the Prime Minister gives of what a good standard of value should be. But Mr. Gladstone thinks that the evidence of the index numbers is untrustworthy, because they do not include wages. Labour—"the greatest commodity,"—he asserts, is "rising all over the world." But how does he support his assertion? He mentions three classes of labourers—domestic servants, doctors, and actors and actresses! These specimens do not appear to me to be exhaustively representative of the "working classes," and even if it be a fact that their "wages" have risen, this is surely rather a slender foundation upon which to base so sweeping a statement as that "human labour is rising all over the world." After all, what would it prove? Only that people were not yet so utterly ruined that they were forced to dispense with domestic servants, that they were not obliged to suffer the ills that flesh is heir to without being able to call in the doctor, and that "society" was still able to go to the theatre! I suspect the cotton operatives in Lancashire, and the miners in South Wales, and the unemployed members of trade unions throughout the country will scarcely accept the optimist view of the Prime Minister or indorse it. In any great industrial change like that we have been passing through during the last twenty years, wages are always the last to be affected. The reason is plain. The rate of wages is dependent upon the supply and demand in the labour market. The supply is always increasing. The demand varies according to the amount of capital which is invested in industrial undertakings. For the last ten years at least much less capital has been so invested than formerly. But capital already embarked in mills or works of various kinds is not withdrawn or absorbed

till all profit has absolutely ceased, and losses and depreciation of property drive the capitalist into the Bankruptcy Court. An attempt to reduce wages is generally, and perhaps naturally, met by a strike, or is the cause of a "lock-out," which only intensifies the loss of the capitalist. He naturally, therefore, postpones this remedy till the last moment. Hence wages may be maintained, and even increased production may be resorted to, as a means of carrying on till "times mend." But the day will come when this process must come to an end if prices continue persistently to fall. We are almost, if not quite, at this point now. And though domestic servants and doctors and actresses may still be spared some time longer, the outlook, if not the present condition, of the industrial working classes, whether they are engaged in agriculture, manufacturing, or mining, and who really produce the wealth upon which the nation lives, is, in my opinion, gloomy in the extreme.

III.

I have already troubled you with two letters on the currency debate in the House of Commons. But there is another part of the Prime Minister's speech on that occasion which I wish to notice, especially as it referred to the cotton industry, in which many of your readers are deeply interested.

Speaking of the progress of the cotton trade during the last 20 years, he drew a comparison between 1877 and 1891. Why he selected those two particular years I cannot imagine, unless it was that the first of the figures he wished to quote was the lowest and the last the highest since 1872. His statement was as follows:—

"What was the state of the cotton trade in 1877? I believe I am correct in saying that it was then represented by 1,100,000,000lb., while in 1891 that miserable, perishing industry presented to us only the small figure of 1,800,000,000lb."

Then, after a reminder from the Chancellor of the Exchequer, who I suspect had supplied him with these figures, he added:—

"I am speaking of *imported raw cotton, which is the measure and extent of the industry*. Is it not singular that gentlemen should come down here primed with facts, and that the facts should be so acted upon through the warmth of their philanthropic affections burning to attain a happier state of things for mankind, that they should not be able to take cognisance of figures like those, which show within the past fourteen years an increase of something like 60 per cent. in the aggregate extent of the cotton trade of this country?"

Now, the first observation I wish to make is that, accepting for the moment the import of raw cotton as the measure of the cotton industry (which it is not), if 1873 is compared with 1892, instead of 1877 with 1891, the figures are: 1873, 1,300,000,000lb.; 1892, 1,500,000,000lb., or an increase of only 15 per cent. But the truth is the whole calculation is delusive. If I take the Prime Minister's own figures for the years which he selects, I find that at the end of 1877 there remained a stock of cotton in Great Britain of 219,000,000lb., while at the end of 1891 the stock was 789,000,000lb. This fact, it will be at once apparent, would materially affect a comparison of the quantity consumed in the two years. And it is the quantity consumed, not the quantity imported, which can in any case be assumed as the measure or extent of the industry. But there are still two other corrections to be made in Mr. Gladstone's calculation. (1) One year's consumption is misleading, for we do not know what stocks of raw cotton may be in the hands of spinners. It is safer to take an average of years in the periods we wish to compare. (2) Increase of population must be taken into account if we wish to ascertain practically if an industry is progressing, and at what rate. Now, it happens that there is a Blue-book, entitled "Statistical Tables showing the Progress of British Trade and Production, 1854-90," which gives this

information. From this return I quote the following figures relating to the cotton industry:—

Number of Pounds of Raw Cotton Consumed per Head of Population in the United Kingdom.

	lb.		lb.
1854	27.9	1870-4 average	37.5
1855-9 average	31.5	1875-9 average	36.3
1860-4 average	24.8	1880-4 average	41.0
1865-9 average	29.6	1885-9 average	39.6

In this table it will be noticed that there was a serious decline in the consumption from 1860 to 1864. This is, of course, accounted for by the Civil War in the United States. A gradual recovery is perceptible in the period 1865-9, and then a marked increase in the next quinquennial period, 1870-4, of nearly 8lb. per head of population. Since that date the consumption has been almost stationary—only 3.5lb. per head of increase up to 1880-4, and only 2.1lb. per head up to 1885-9. So that, instead of the "60 per cent. increase" in "the aggregate extent of the cotton trade of this country," which the Prime Minister claimed in the House of Commons, we find, when the figures are fairly examined and population taken into account, that the progress of this great industry from 1870-4 to 1885-9 has only been a "miserable" 6 per cent.!

It must not be supposed that this demonstration exhausts the question of the state of the cotton trade. The decrease of values, the diminution of profits, the depreciation of property of all kinds, and the consequent losses and reduction of wages which have taken place, must all be taken into account. But I content myself now with this examination of Mr. Gladstone's specific and authoritative statement in the House of Commons that the increase in the extent of the cotton trade during the last fifteen or twenty years is "something like 60 per cent." This statement is not even approximately correct, and any reasoning, therefore, which is based upon it must be fallacious.

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